“WHO” Calls COVID-19 a Financial Rebound- A Statement or a Question?
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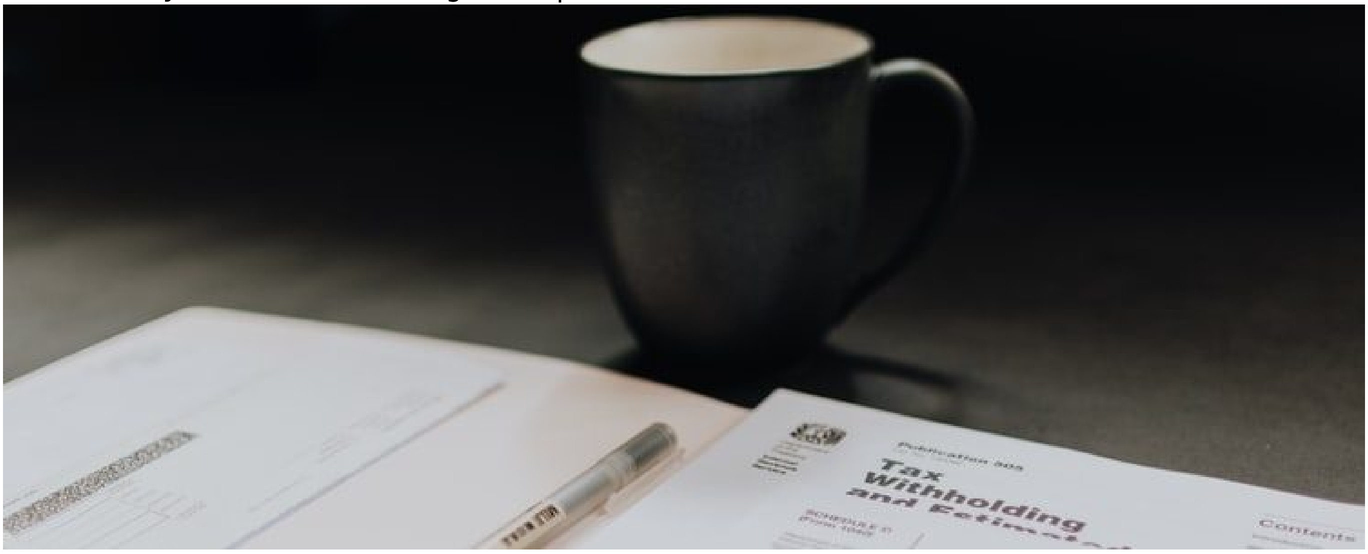

The Wintered Tale of COVID-19. WHO Calls COVID-19 New Financial Rebound

“If you’re born poor, it isn’t your mistake but if you die poor, it indeed is your mistake!” With the outbreak of Coronavirus (“COVID-19”), the main concern is and should be saving lives but another aspect of thinking would crack a consumer’s brain to, ‘what about personal finances?’

The Chinese Rat Year of 2020 meant prosperity, but unfortunately, COVID-19 occurred at the time when the economy was already showing signs of a global economic go-slow in terms of real GDP growth at a mere 4.7 per cent[1].

In addition, COVID-19 has jostled the monetarist markets and brought a stirring standstill to the demand and supply chain. In India, since February 2020, where crude oil and equity prices have sharply fallen, petrol and gold are snowballing because of the indecisive safe haven reliance they are bred within.

Worldwide, equity prices on stock catalogues have also fallen.

Has COVID-19 made India a Bull Market or a Bear Market?

A fair look at the Indian stock market tells us that we have consolidated into a bear market in the wake of the COVID-19 outbreak. What’s a Bull and Bear market? A Bull lunges its horns up in air connoting raising prices and a Bear jabs its paws connoting falling prices with regard to stock indices. Let alone the stock market, companies, MNC’s, operators and manufacturers have been presaged of a heavy hand on their pockets due to the economic upshot resulting from the pandemic. A gigantic drop in stock prices has led the National Stock Exchange into the Bear territory as of March 12, 2020, and Bombay Stock Exchange is not far from the wrath.

Circumstantial data provides that we have not fallen further than 25-28 per cent and recovery insight is a possibility. The last time India faced the wrath of a bearish market was 2015 and it took almost 2 years to stand up on its feet. India was not a foreseen epicentre of the pandemic at the rate of trouble we stand at, as of today. The impact of falling stocks in India has dampened the banks and led them into a bear market, the resultant of which pushes us into thinking that how are we then expecting a bull market for our stock indices anytime soon? The sharpened tumble in stock market prices showcase an attractive but very risky proposition for investors in India and worldwide.

Commotion in one business would mean disruption in many other businesses from many countries considering the connecting factors that bind each of them together in some way or the other. A drop in business is resultant of a drop in finances gradually and automatically affecting the economy as a whole. For example, the Indian market stopped its supplies in the roll of dropping demand, but the very stop was because their supplies from China came to a standstill. COVID-19 showed its wakened presence in the form of falling markets and threats of recession, and the reasons why investors show skepticism when it comes to investing.

Economically, India does not stand stout because of the upsurge in non-performing assets (NPA’s). Banks and capital institutions will have to be weary of the impending lockdowns for this, in turn, will lead to a zero-revenue situation holding many starving mouths to ransom.

An Apocalypse Packed in a Suitcase Bomb

No one really presumed that a little micro-organism would create a global fiscal shudder. For India in specificity, it turned out to be a twin throw up. The very fact of having to edge the economic impact of the pandemic and that too in an already slow economy. The last time India got locked into the bear territory was 2008 and now again almost a decade later. Given that the statistic of COVID-19 hasn’t seen many casualties in India as compared to other epidemics in the past, we can still see the effect in terms of financial dropdowns.

Globally if looked at, the jeopardy of recession is real in terms of diminished demand-supply chains. The international economies were already sinking, and now in the wake of the virus outbreak, we are looking at a global recession. Stunted economic growth would mean a slow revenue growth which would shake the roots of an already settled financial system whether nationally or internationally. In situations of the like, the onus is more on the banks and governments to take stabilized actions. From an Indian perspective, the Reserve Bank of India is going to have to step up in terms of systemic stability otherwise the market crash will never revive.

The instantaneous impact of this apocalypse was seen in the form of travel bans in the tourism sector, which in a way led to a financial crunch and a glut in the finance economy. COVID-19 weakened the rupee by 3 per cent, thereby trading the Indian rupee at almost INR 76[2] against 1 US dollar. This has also led to foreign investors pulling out of the domestic markets. The virus outbreak has soured all relations between Indian equities and bonds and same can be refurbished through bank intervention if done in a stabilized manner.

- [1] https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD , IMF Data Mapper.
- [2] https://www1.nseindia.com/marketinfo/fxTracker/fxTracker.jsp# , National Stock Exchange Tracker

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